

**Testimony of Secretary of Commerce
William M. Daley
before the
Senate Committee on Finance
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I am pleased to be joining Secretary Albright and Deputy Secretary Summers at this morning's hearing to discuss an issue of great importance to the Clinton Administration, the Department of Commerce, and U.S. businesses and workers. It is a pleasure to appear before the Committee on Finance, which has played such a critical role in advancing American trade policy.

I very much appreciate this opportunity to testify concerning the African Growth and Opportunity Act and, more broadly, what we at the Commerce Department are doing to advance the President's Partnership Initiative with Africa. This is a particularly exciting time for the U.S.-African relationship. With the President's historic trip in March, Africa has become the focus of attention as never before at the highest levels of the U.S. Government. Africa is important to the United States for a variety of reasons. It is the ancestral land of more than 33 million Americans. It is the home of more than ten percent of the world's population. Its abundant human and natural resources remain largely underdeveloped.

While the challenges Africa faces are still quite substantial, today Africa also provides a wealth of opportunities -- as more and more Africans enjoy the benefits of democracy, enhanced respect for basic human rights, and greater economic prosperity based on open markets. The Africa of 1998 is a far cry from that of the 1970s and 1980s -- a period characterized by statist economic policies, rampant inflation and corruption, and a continent treated to a significant degree as a pawn in the all-consuming East-West conflict.

The economic progress can be seen in the rate of real GDP growth -- which, at over four percent in each of the past two years (and projected growth exceeding five percent this year), is more than double that of the early 1990s. Moreover, the people of Africa are eager for closer ties with the United States, as I saw firsthand during the President's trip. From the half a million people gathered in the sweltering heat of Accra, Ghana to see the President and First Lady to the schoolchildren we met in Uganda, we witnessed a tremendous enthusiasm for the visit and the opportunities it affords for a stronger, mutually beneficial economic relationship.

Yet despite its important ties to this country, Africa remains a market that, by and large, has not been pursued aggressively by the United States. The figures confirm that we have a great deal to accomplish: despite recent growth in our exports to the continent, the United States still ranks a distant third as a supplier to Africa -- with only a seven percent share of the market there, compared with the European Union members' over 40 percent share.

The good news is that the U.S. business community is stepping up its trade and investment efforts -- and realizing increased commercial success in Africa. Last year, U.S. exports topped \$6 billion for the second year in a row. Our exports to Africa are nearly one-third greater than those to Russia and all of the former Soviet republics combined. And while the risks of investing in Africa should not be overlooked, the rewards can be considerable -- with an average annual return for U.S. investors more than double that in Asia, even before the current economic crisis there.

We now need to build on that solid foundation by moving forward with the President's Africa Initiative and by passing the African Growth and Opportunity Act. Let me be clear: much of what we need to do to strengthen our commercial ties with Africa can best be accomplished through the leadership of our private sector. But we in government -- in both the executive and the legislative branches -- have the responsibility to assist those efforts by addressing some of the remaining barriers to trade and investment. And, to implement those changes that require

legislative action, we are here this morning to urge your support for the African Growth and Opportunity Act.

Much of the attention on this legislation has centered on the provisions that would afford enhanced market access for those sub-Saharan African countries pursuing needed reforms, including by authorizing the President to grant duty-free treatment for certain products presently excluded from the Generalized System of Preferences (GSP) program and by eliminating the existing quotas on our imports of textiles and apparel from Kenya and Mauritius. I am certainly aware of the concerns that have been raised by industry and union organizations about these and certain other provisions.

But these provisions need to be understood in the context of the legislation -- and the President's Partnership Initiative, as a whole: as one essential part of a coordinated approach to help those African countries that are undertaking the reforms that are needed to strengthen their own economies, to attract additional investment, and to improve access to their markets for our goods and service providers.

The Department of Commerce serves as the main catalyst for engaging the U.S. business community on Africa, while also working closely with other departments and agencies, including through the Trade Promotion Coordinating Committee process. We are currently formulating a broad-based Africa Commercial Strategy to bring together the Department's diverse expertise on Africa in new, creative, and more focused ways. We are preparing to expand the presence of our Foreign Commercial Service in Africa. We will increase the involvement of Commerce Department experts in a wide range of areas -- from technical standards to commercial law issues, from assisting their African counterparts on intellectual property protection and data collection to using better weather forecasting to improve land use patterns and, as a result, agricultural output.

To cite just one example of this effort, Commerce is spearheading an initiative to build insurance markets in emerging economies, including in Africa. The International Insurance Technical Assistance Partnership is a joint effort between the Federal Government and the U.S. insurance industry to promote the development of open and competitive insurance markets. The establishment of sound regulatory and supervisory insurance mechanisms is a key element in building the structural foundation necessary for sustained economic growth. This Partnership can provide African countries with the technical assistance needed to develop such structures.

Beyond the specific initiatives of many of the Department's bureaus, we are engaged in the effort to promote greater regional economic cooperation on the African continent. For example, last year Commerce joined the Agency for International Development in sponsoring a two-day forum in Washington for trade ministers of the 12-nation Southern Africa Development Community (SADC) -- an event that helped speed the process of economic integration among those countries. On a somewhat smaller scale, I was encouraged by my discussions in March, during the President's visit to Uganda, with the economic ministers of the East African Cooperation forum, a regional organization consisting of Kenya, Uganda, and Tanzania.

In the less than three months since the President's trip, Commerce has moved forward on a number of fronts that demonstrate the increased importance we are placing on Africa. For example, we have organized a series of meetings across the country to expand our outreach to American businesses, including small and medium-sized and minority-owned firms. We have highlighted the importance of the African market with our District Export Council representatives, including at a meeting with them earlier this month. We hosted a tour of U.S. Ambassadors and Senior Commercial Officers to several U.S. cities to increase awareness of new business opportunities in Africa. An April conference in New Orleans on U.S. Trade and Investment in Africa, cosponsored with the State Department and Corporate Council for Africa, drew an overflow crowd. And last month, Deputy Secretary Robert Mallett addressed the World Economic Forum's Southern Africa Conference in Namibia, as part of a trip that also took him to

South Africa and Cote d'Ivoire for meetings with business and government leaders and visits with "ordinary" Africans as well.

This week, I am announcing my plans to lead a Commercial Development Mission to Africa in mid-September. I expect to take officials from approximately 30 U.S. companies to South Africa, Kenya, and Cote d'Ivoire, and hopefully 1-2 other countries, for meetings with government and business officials, to advocate on behalf of specific U.S. projects, and to investigate new opportunities for U.S. trade and investment in different parts of the continent. I intend to focus considerable attention on exploring regional economic initiatives -- including through meetings with the SADC and East Africa Cooperation ministers to discuss mutually beneficial business opportunities in countries other than those we have the chance to visit..

I am confident that my September mission will demonstrate the tangible benefits of open markets by putting U.S. firms in direct contact with potential African buyers and commercial partners -- while conveying the critically important message that the United States is ready to be a full partner in Africa's efforts to build prosperity based on free enterprise. We will be concentrating on the industry sectors that have some of the greatest growth potential, including computers and software, telecommunications, other information technologies, agribusiness, power generation, health care, financial services, and environmental technologies. U.S. firms are world leaders in these areas -- and in other sectors critical to the development of Africa's infrastructure -- and I am determined that the September mission will lead to significant new export opportunities, meaning new U.S. jobs as well as greater prosperity for the African people.

As this week's Mission Statement describing the September trip states, the mission "will demonstrate the tangible benefits of open markets by putting U.S. firms in direct contact with potential buyers and joint venture partners, while conveying the message that the United States is ready to be a full partner in Africa's economic development efforts." As we prepare for the 21st century, we must focus increasingly on how to bring those parts of the world too often

overlooked over the past several decades more fully into the international economic system. The African Growth and Opportunity Act is a key component of this strategy, demonstrating the United States' commitment to help African countries even as we help ourselves by fostering closer, sustainable, mutually beneficial economic ties.

Thank you again for the opportunity to testify this morning in support of the African Growth and Opportunity Act and, more generally, in support of a stronger commercial relationship between the United States and Africa. I look forward to working with Members of this Committee, and your Senate colleagues, in support of this critically important objective.